

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:

<https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/December-2019-Chapter-37-Debt-Issues/Consultation-Paper/cp201912.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

**Capitalised terms have the same meaning as defined in the Consultation Paper unless otherwise stated.**

1. Do you agree with the proposed increase of the NAV Requirement from HK\$100 million to HK\$1 billion?

Yes

No

Please give reasons for your views.

I am indifferent. For all transactions I have been engaged in, I did not see any of Issuers' NAV was below HK\$1 billion.

2. (a) Do you agree that the Exchange should maintain the current Eligibility Exemption available for State corporations?

Yes

No

Please give reasons for your views.

I have mostly been engaged in Chinese issuers bond issuance transactions, among which, state-owned companies account for the majorities. Despite that we start to see state-owned company's default in 2019, the defaulted issuer and its case has long been implied by the market. It's not easy to judge what type of or which level of state-owned companies are more likely to obtain government support. In view of this, I prefer to maintain current eligibility exemption.

- (b) If not, which type of State corporations should comply with Issuer Eligibility Requirements? Please give reasons for your views.

NA

3. (a) Do you agree with the proposed introduction of a minimum issuance size of HK\$100 million (or equivalent in other currencies) for Chapter 37 Debts?

Yes

No

Please give reasons for your views.

I am indifferent. HK\$100 million is already a very small size.

- (b) Do you agree that such minimum issuance size shall not apply to tap issuances?

Yes

No

Please give reasons for your views.

There should not be any restriction on size for tap.

4. Do you agree with the proposal to require issuers to state explicitly on the front cover of the listing document the intended investor market in Hong Kong (i.e. professional investors only) for its Chapter 37 Debts, in addition to the existing legend required under Rule 37.31?

Yes

No

Please give reasons for your views.

If it is intended for professional investors only, then it should be marked in an obvious position on a publically available document. The text should be bold or red.

Blank

5. Do you agree with the proposal to require publication of listing documents for Chapter 37 Debts on the Exchange's website on the listing date?

Yes

No

Please give reasons for your views.

I strongly agree to the approach in order to increase the information transparency.

6. (a) Do you agree that the Exchange's current disclosure and vetting approach in relation to listing documents for Chapter 37 should remain unchanged, notwithstanding that the intended investors would include HNW Investors?

Yes

No

Please give reasons for your views.

From underwriter's perspective, changing the vetting approach may potentially take longer time.

(b) For the purpose of Rule 37.29, should there be a different standard with specific disclosure requirements in respect of Chapter 37 Debts that are offered to HNW Investors, compared to those that are offered to Institutional Investors, for example, the manner of presenting information such as the terms and conditions and financial information of issuer and any credit support provider (even though the current Hong Kong legal framework does not differentiate disclosure standards between Institutional Investors and HNW Investors)? If so, what should those specific disclosure requirements be?

Yes

No

Please give reasons for your views.

It will be good to remind investors of the special features and the associate risk, as well as the special terms affecting the rights of the investors.

7. (a) Do you agree that the Exchange should publish disclosure guidance to the market on specified Special Features found in certain Chapter 37 Debts and other disclosure-related matters?

Yes

No

Please give reasons for your views.

It will always good to reiterate such special features on a public document.

- (b) Do you have other suggestions on any additional or alternative proposals that the Exchange may implement to promote disclosure quality and consistency for Chapter 37 Debts?

Yes

No

Please give reasons for your views.

8. Do you agree with the proposal to codify the PI Waiver by revising the definition of “professional investors” under Chapter 37 to include HNW Investors?

Yes

No

You may provide reasons for your views.

I am indifferent, given the fact that usually, bond issuance are granted PI waiver, it does not make such a big difference how the PI definition is going to change.

Blank



9. (a) Do you agree with the proposal to allow eligibility of a REIT Issuer (or a REIT Guarantor) to be assessed by reference to the REIT Assets and REIT Financials respectively, provided that it has recourse to the REIT Assets to satisfy the obligations under the relevant Chapter 37 Debts?

Yes

No

Please give reasons for your views.

I am indifferent. I have not been involved in REIT transactions.

- (b) Do you agree that if the relevant REIT is listed on the Exchange, a REIT Issuer (or a REIT Guarantor) should be qualified as a HK Listco and therefore, be exempted from the Issuer Eligibility Requirements?

Yes

No

Please give reasons for your views.

I am indifferent. I have not been involved in REIT transactions.

10. Do you have any comments on the proposed enhancements relating to the continuing obligations of the issuer and guarantor under Chapter 37?

Yes

No

Please give reasons for your views.

I agree to amending Rules 37.47(b) and 37.47A to require such announcements to be made as soon as reasonably practicable. Just as your understanding, issuers and guarantors need time to gather details and sometimes need to seek for legal counsel's advice.

I also agree to amending Rule 37.44 to specify that continuing obligations apply to guarantors as well, in the fact that some of the issuers are just an SPV.

11. Do you agree with the proposal to replace the existing requirements to submit copies of constitutional documents and resolutions as part of the listing application documents with a requirement to provide written confirmation by the issuer (or guarantor, as the case may be) in relation to its due incorporation, capacity and authorisation?

Yes

No

Please give reasons for your views.

I agree, if it can accelerate the reviewing process. It is the case that board resolution is one of the required documents expected from the legal counsel.

12. (a) Do you agree with the proposal to replace the existing requirement to submit last published financial statements with a new requirement for an issuer (or the guarantor that an issuer relies in fulfilling the Issuer Eligibility Requirements) to submit its audited financial statements to evidence its fulfilment of the Issuer Eligibility Requirements?

Yes

No

Please give reasons for your views.

I am indifferent. If the required financial statements have been published, general public can always find the financial statements online.

- (b) Where the issuer (or the guarantor) is exempted from the Issuer Eligibility Requirements or where the required audited financial statements are disclosed in the listing document, do you agree that such issuer (or guarantor) should not be required to separately submit financial statements to the Exchange?

Yes

No

Please give reasons for your views.

For all public issuance that I have been involved, latest audited financial statement constitutes part of the offering circular.

13. Do you agree with the proposal to amend Rule 37.26 to clarify that supplementary listing document includes a pricing supplement?

Yes

No

Please give reasons for your views.

I personally think pricing supplementary should be included as listing document only when it is an MTN programme drawdown, wherein, the programme offering circular does not contain pricing details. However, when it comes to single bond issuance, pricing details can be found in the offering circular. No point to work out a redundant document.

14. The Exchange invites your comments regarding whether the drafting of the proposed housekeeping Rule amendments will give rise to any ambiguities or unintended consequences.

Nothing comes up to my mind for the time being.

15. Do you have any other comments in respect of the matters discussed in the Consultation Paper? If so, please set out your additional comments.

As far as I am concerned, almost all bonds traded are on OTC basis. Frankly, whether the bond is listed may not be a very big issue for the investors, unless the investors' mandate is listed-only, which I have not seen before. For private banks, some bonds are sold to individual investor in secondary market, and we understand that there is usually an investment counsel set up for private banks to screen the bonds before they are allowed to be in the list. From me as underwriter's perspective, it does not make such a big difference for all amendments proposed except that 1) Compulsory offering circular published on the Exchange website, which can help with the information transparency, and 2) If any amendment can help expedite the listing process.

- End -